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Before the
Federal Communications Commission JAN 29 1997
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)	
)	
Access Charge Reform)	CC Docket No. 96-262
)	
Price Cap Performance Review)	CC Docket No. 94-1
for Local Exchange Carriers)	
)	
Transport Rate Structure)	CC Docket No. 91-213
and Pricing)	
)	
Usage of the Public Switched)	CC Docket No. 96-263
Network by Information Service)	
and Internet Access Providers)	
)	
)	
To: The Commission)	

COMMENTS OF THE INTERACTIVE SERVICES ASSOCIATION

The Interactive Services Association (ISA) hereby submits its comments in the above-referenced proceeding (NPRM). The ISA, formed in 1981, is the leading association devoted exclusively to promoting consumer interactive services worldwide. The ISA has a large and diverse membership; the ISA's approximately 350 members include the country's largest long-distance companies, several of the regional Bell operating companies, and significant representation in all aspects of the Internet and online service industries. The ISA's diversity gives it unique credibility when, as here, it speaks with one voice on issues affecting a broad range of telecommunications interests.

A. **Treatment of Interstate Information Services (§§ 282-90).** The ISA supports the FCC's tentative conclusion that the existing interstate access charge regime should not apply to Internet access service and other information services since access charges are not cost-based

and can distort incentives and impede competition.^{1/} As the information economy develops, our nation's competitive future depends increasingly upon the growth and integrity of the Internet and other media for the rapid, efficient exchange of information. FCC Chairman Reed Hundt recently pointed out that "[t]he Internet creates new opportunities for all kinds of new media and services that take advantage of increasing computing power and ensure the continued reliability of the network of networks that we rely upon so heavily."^{2/} Applying existing access charges to the information services industry could undermine the progress and development of the industry.

B. Notice of Inquiry (§§ 311-18). The ISA also supports the FCC's decision to develop a record, through a notice of inquiry, on the subject of the deployment of packet-switched or other data-friendly networks for the provision of information services.^{3/} A great deal of information has been presented regarding the impact of the Internet and information services on congestion in the public switched network.^{4/} It deserves careful review.

The ISA agrees that the Commission should examine the technologies, requirements, and capabilities of telecommunications and information service providers in order to promote rules

^{1/} See NPRM at ¶ 288.

^{2/} Reed E. Hundt, Speech entitled "The Hard Road Ahead -- An Agenda for the FCC in 1997" (Dec. 26, 1996).

^{3/} See NPRM at §§ 311-18.

^{4/} Compare, e.g., US West Communications, "ESP Network Study" 2 (June 28, 1996) ("explosive use of the Internet has impacted our local network and will continue to require additional investment to prevent serious blockage") with "Internet 'Not to Blame' for Network Outages," *Telecommunications Reports* 32 (Nov. 4, 1996) (Internet usage unlikely to cause "reportable" network outages).

and policies that would help facilitate the more efficient transport of data traffic through and around the existing public switched network. While individual ISA members will contribute significantly to this proceeding, the ISA itself stands ready to contribute as an information clearinghouse (*e.g.*, through member surveys) or otherwise to assist the Commission in its inquiry.

C. Assessment of SLCs on Derived Channels (¶¶ 68-70). The ISA is pleased that the Commission intends finally to resolve the question, open since 1992, of whether to assess subscriber line charges (SLCs)^{5/} on the basis of physical facilities (*e.g.*, subscriber loops) or derived channels (*e.g.*, virtual circuits multiplexed and carried over a single subscriber loop). Sound policy requires the rejection of any approach that would assess SLCs based on derived channels, because the costs that the SLC recovers are incurred in constructing facilities, and do not vary much whether those facilities carry one communications channel or several.

In the NPRM, the Commission notes that several of the RBOCs have submitted data on the cost of constructing facilities for the provision of ISDN service.^{6/} The ISA has not verified the accuracy of these cost studies, but acknowledges that the 1996 Act expresses a preference that the price of telecommunications services be based on their cost.^{7/} Accordingly, the ISA would support the assessment of SLCs for ISDN and other physical facilities for the provision

^{5/} The SLC is a monthly fee charged by LECs to their subscribers, currently capped at \$3.50 for residential lines and \$6.00 for business lines, that recovers a portion of the nontraffic-sensitive costs (*i.e.*, costs of dedicated subscriber loop plant that do not vary with usage) allocated to the interstate jurisdiction.

^{6/} See NPRM at ¶ 69-70.

^{7/} See, *e.g.*, 47 U.S.C. § 252(c)(1) (pricing standards for interconnection and unbundled elements).

of derived-channel services in a way that reflects the properly allocated nontraffic-sensitive costs of those facilities. However, the Commission should keep in mind that raising the cost of ISDN through multiple SLCs could frustrate demand for high-bandwidth access to the Internet and slow the growth of the information infrastructure that is necessary to maintain the nation's competitiveness.

Respectfully submitted,

THE INTERACTIVE SERVICES ASSOCIATION

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